Why is Trade Facilitation important?
Trade Facilitation and Competitiveness

- Customs clearance times are key determinants of foreign investment, export status and productivity.

- For integration into global value chains efficient importation is as important as exportation.

- **Inefficient customs practices** and complex procedures significantly *reduce the ability to successfully integrate to global value chains*.

- Trade costs are a crucial ingredient for competitiveness and FDI.
Trade Transaction Costs (TTCs)

- TTCs depend on the good, trader and country.
  - Direct TTCs amount to 2-15% of the value of goods
  - Indirect TTCs (delays, corruption, etc.) amount to 1-24%
  - 170% ad valorem tariff equivalent for a “representative rich country”
  - 219% ad valorem tariff equivalent for developing countries
Time as a trade barrier

• Time delays and depreciation costs can reduce trade flows even more significantly than trade tariffs.
  ▫ Each day saved in shipping time is worth 0.8% ad-valorem for manufactured goods.

• Time-sensitive products (perishable, just-in-time) are even more affected by delays at the border.
Benefits of the Trade Facilitation Agreement (TFA)
TFA implementation would reduce trade costs

- On average, TFA implementation would reduce trade costs by about 14.5%
- This is larger than eliminating all applied MFN tariffs
  - Average applied MFN tariff is less than 10%
- The range of reduction in trade costs will be between 9.6% and 23.1%.
TFA implementation would reduce trade costs

- Overall cost reduction
  - 18% in manufactured goods
  - 10.4% in agricultural products.
- Greatest reduction in African countries and LDCs over 16%.
- For LLDCs:
  - 15.4% on average
  - 19.3% in manufactures
  - 11.7% in agricultural products.
TFA implementation would also reduce import and export times

• Import time reduction by more than one and a half days
  ▫ 47% from the current average

• Export time reduction almost two days
  ▫ 91% reduction from the current average
Other benefits of TFA implementation

- Export diversification
- Enhanced participation in GVCs
- Increased participation of SMEs in international trade
- More FDI
- Greater customs collection
- Lower incidence of corruption
The Trade Facilitation Agreement (TFA)
Structure of the TFA

- Preamble
- Section I:
  - TF disciplines (Articles 1-11)
  - Customs Cooperation (Article 12)
- Section II:
  - Special and Differential Treatment
- Section III:
  - Institutional Arrangements
  - Final Provisions
- Annex 1 – Donor TA notification format
Section I: TF disciplines
Section I: TF disciplines

GATT X:
- Art. 1: Publication & Availability of Information
- Art. 2: Opportunity to Comment, Information before Entry into Force & Consultation
- Art. 3: Advance Rulings
- Art. 4: Appeal or Review Procedures
- Art. 5: Other Measures to Enhance Impartiality, Non-Discrimination and Transparency

GATT VIII:
- Art. 6: Disciplines on Fees & Charges imposed on or in connection with Import & Export
- Art. 7: Release and Clearance of Goods
- Art. 8: Border Agency Cooperation
- Art. 9: Movement of Goods under Customs Control intended for Import
- Art. 10: Formalities Connected with Importation and Exportation and Transit

GATT V:
- Art. 11: Freedom of Transit
- Art. 12: Customs Cooperation
Nature and scope of the obligations

- **Binding**
  - Art. 11.8 Members shall not apply technical regulations and conformity assessment procedures … to goods in transit.
- **Best Endeavour**
  - Art. 11.17 Each Member shall endeavour to appoint a national transit coordinator
- **Combination**
  - Art 1.2.1 Each Member shall make available… through the internet
  - Art.1.2.3 Members are encouraged to make available further trade related information…
Examples of TF provisions

- **Expedited Shipments:** procedures to expedite the release of air cargo
- **Use of Int. Standards:** Harmonization of trade practices and rules
- **Single Window:** submission of documentation for import/export to a single electronic point.
- **Authorized operators:** lower documentation and inspections, rapid release, deferred payments, etc.
- **Customs Cooperation:** Multilateral customs cooperation and exchange of relevant information.
Examples of TF provisions

- **Publication**: publish a wide range of info related to procedures for clearing of goods for import/export.
- **Advance rulings**: binding decisions by Customs, on request, on classification/origin.
- **Appeal**: provides for the right of appeal or review on a decision made by Customs.
- **Risk Management**: focus on high-risk consignments to expedite release and clearance of low-risk goods.
Examples of TF provisions

• **Border Agency Cooperation:** ensure cooperation and coordination between authorities and agencies responsible for border controls to facilitate trade

• Suggests the following for cooperation with other Members:
  - Alignment of working days/hours and procedures/formalities;
  - Joint controls and sharing of common facilities
  - Establishment of one stop border post control
Article 11
Freedom of Transit
Article 11 - Freedom of Transit

1. Any regulations and formalities shall not:
   a. Be maintained if circumstances/objectives no longer exist, or can be applied in a less trade-restrictive manner.
   b. Constitute a disguised restriction on trade

- Language similar to GATT Article XX
- Relation to the concept of “arbitrary or unjustifiable discrimination”
- There is arbitrary or unjustifiable discrimination...when a Member seeks to justify the discrimination resulting from the application of its measure by a rationale that bears no relationship to the accomplishment of the objective ...
Article 11- Freedom of Transit

2. Traffic in transit shall not be conditioned on collection of fees (except cost based, transport and administrative expenses)
   ▫ Relation with GATT Article VIII

3. Prohibition on voluntary restraints on traffic in transit
   ▫ Turkey-EU border situation
Article 11- Freedom of Transit

4. Each Member shall accord to products which will be in transit through the territory of any other Member treatment no less favourable than that which would be accorded to such products if they were being transported from their place of origin to their destination without going through the territory of such other Member.

- Non-discrimination principle expanded?
- National Treatment?
Article 11 - Freedom of Transit

5. Separate infrastructure for traffic in transit encouraged

6. Formalities, documents and controls shall not be more cumbersome than necessary
   a) To identify goods
   b) Ensure fulfilment of transit requirements
Article 11 - Freedom of Transit

7. No charges, delays or restrictions once goods cleared for transit

8. No application of TBT measures to goods in transit

9. Advance filing and processing of transit documentation to be allowed and provided

10. Promptly terminate transit operation once exit point is reached
Article 11 - Freedom of Transit

11. Guarantees: limited to ensuring requirements are fulfilled
12. Discharged without delay
13. Allow multiple transaction or renewal
14. Publish information used to set guarantees
15. Convoys or escorts only in high risk cases rules shall be published
Article 11 - Freedom of Transit

16. **Endeavour** to cooperate to enhance transit. Understandings on:
   a) charges
   b) formalities and legal requirements
   c) the practical operation of transit regimes

17. **Endeavour** to appoint national transit coordinator
TFA Section II
Special and Differential Treatment
General Principles

- Section I will be implemented by developing and LDCs in accordance with Section II
- TA and CB should be provided to help implementation
- The extent and the timing of implementation will be related to the implementation capacities.
- Implementation will not be required until capacity has been acquired
General Principles

- Assistance and support for capacity building should be provided to help developing and LDC country Members implement.
- The extent and the timing of implementation will be related to the implementation capacities.
- Implementation will not be required until capacity has been acquired.
- LDC Members will only be required to undertake commitments to the extent consistent with their individual development, financial and trade needs.
- Categorization of a provision does not change its nature.
Categories of Provisions

- **Cat. A**: Implement upon entry into force (developing countries) or within one year after entry into force (LDCs)
- **Cat. B**: Implementation after a **transitional** period of time
- **Cat. C**: Provisions requiring the acquisition of implementation capacity through TACB
Notification and Implementation of Category A

• **Developing countries:** implement *upon* entry into force. Category A commitments will then be made an integral part of the Agreement.

• **LDCs:** Notify to the Committee up to *one year* after entry into force and thereby be made an integral part of the Agreement.
Additional Measures

• Members can **shift** provisions between Category B and C but must provide information on assistance required to build capacity

• **DSU Grace Period:**
  - Developing: Cat. A- **2 years**
  - LCDs: Cat. A- **6 years**
  - Cat. B & C- **8 years**
Donor Members: Information on Assistance

• For transparency purposes, Donor Members assisting developing and LDC Members will inform the Committee, at entry into force and annually thereafter, the TACB that was given.

• This includes amounts, agencies involved, description of assistance and procedures.
TFA Section III
Institutional Arrangements and Final Provisions
Trade Facilitation Committee

Generally meets 3 times per year to:

- discuss problems regarding implementation
- review progress in provision of TACB
- share experiences and information
- review notifications

- one dedicated session on assistance and capacity building
TFA Implementation
Ratifications

The Trade Facilitation Agreement (TFA) entered into force on 22 February 2017 when the WTO obtained the two-thirds acceptance from its 164 Members.

Ratifications
86.0%

141

24 LLDCs
26 Transit

0
110
164

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
How Members are implementing the TFA

Category A
114 Members
26 LLDCs
27 Transit

• Implement TFA provisions immediately upon entry into force

Category B
73 Members
20 LLDCs
17 Transit

• Implement TFA provisions following a transition period determined by them

Category C
63 Members
19 LLDCs
10 Transit

• Implement TFA provisions following a self-determined transition period and receiving the necessary capacity-building support
Share of Categories A, B, C by grouping

Based on % of all notifiable items

Developing Members

LLDCs

Transit countries

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
Article 11 - Transit

Share of Categories A, B, C by grouping

Based on % of all notifiable items
11 – Transit

Developing Members

LLDCs

Transit countries

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
Article 8 - Border Agency Coop

Share of Categories A, B, C by grouping

Based on % of all notifiable items
8 – Border Agency Cooperation

Developing Members

LLDCs

Transit countries

A  B  C  N

TFAD (Trade Facilitation Agreement Database) www.tfaddatabase.org
Article 12- Customs Cooperation

Share of Categories A, B, C by grouping

Based on % of all notifiable items
12 - Customs cooperation

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
Article 7.7- Authorized operators

Share of Categories A, B, C by grouping

Based on % of all notifiable items
7.7 – Authorized operators

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
Article 10.4 – Single window

Share of Categories A, B, C by grouping

Based on % of all notifiable items
10.4 – Single window

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
Article 1.3 – Inquiry points

Share of Categories A, B, C by grouping

Based on % of all notifiable items
1.3 – Enquiry points

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
Top 5 measures with highest implementation rate

Based on implementation commitments by all WTO Members

Art. 9 – Movement of goods
Art. 10.5 – Preshipment inspection
Art. 10.9 – Temporary admission...
Art. 5.2 – Detention
Art. 10.6 – Use of customs brokers

Rate of implementation commitments today
Rate of implementation commitments requiring additional time
Rate of implementation commitments requiring additional time and assistance
Rate of implementation commitments yet to be designated

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
Bottom 5 measures with lowest implementation rate

Based on implementation commitments by all WTO Members

Art. 7.6 – Average release times
Art. 3 – Advance rulings
Art. 5.3 – Test procedures
Art. 7.7 – Authorized operators
Art. 10.4 – Single window

- Rate of implementation commitments today
- Rate of implementation commitments requiring additional time
- Rate of implementation commitments requiring additional time and assistance
- Rate of implementation commitments yet to be designated

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
The 5 most notified measures in Category C

Based on % of all notifiable article items

Grouping: LLDCs

Art. 10.4 Single window
Art. 5.3 Test procedures
Art. 8 Border Agency Cooperation
Art. 7.6 Average release times
Art. 1.3 Enquiry points

TFAD (Trade Facilitation Agreement Database) www.tfaddatabase.org
Type of technical assistance requested

Grouping: LLDCs

- To be determined: [60%]
- Legislative and regulatory framework: [20%]
- Human resources and training: [20%]
- Information and communication: [15%]
- Institutional procedures: [15%]
- Diagnostic and Needs Assessment: [10%]
- Infrastructure and equipment: [5%]
- Awareness-raising: [5%]

Share of technical assistance requested

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
The 5 most notified measures in Category C

Based on % of all notifiable article items

**Grouping:** Transit countries

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<th>Description</th>
<th>Percentage</th>
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<td>7.4</td>
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<tr>
<td>7.7</td>
<td>Authorized operators</td>
<td>20</td>
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<td>1.2</td>
<td>Information availability</td>
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</tbody>
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TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
Type of technical assistance requested

**Grouping:** Transit countries

- To be determined
- Human resources and training
- Information and communication ...
- Infrastructure and equipment
- Institutional procedures
- Legislative and regulatory framework
- Diagnostic and Needs Assessment
- Awareness-raising

**Share of technical assistance requested**

TFAD (Trade Facilitation Agreement Database) www.tfadatabase.org
Technical assistance and capacity-building support notifications

Art. 22.1
• Donor Members are required to notify the support that they provide for TF capacity-building

15 notifications received

Art. 22.2
• Donor Members are required to notify the process and mechanisms that should be followed in order to request assistance

8 notifications received

Art. 22.3
• Developing and LDC Members seeking Technical Assistance must provide details of their contact point(s) of the office(s) responsible for coordinating and prioritizing assistance and support

5 notifications received
Transparency Notification obligations

All Members are required to make four separate transparency notifications

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<tr>
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The Trade Facilitation Agreement Database is a tool to search, filter and analyse the notifications and ratifications received under the Trade Facilitation Agreement.
Trade Facilitation Facility

• Launched in July 2014
• Operational since December 2014

• 3 Components
  I. Provision of TACB, focus on NA and partner identification
  II. Information sharing platform on demand and supply for TA
  III. Provision of funds, if none made available
    a) Project preparation (up to US$ 30,000)
    b) Project implementation, if no donor found (soft infrastructure up to US$ 200,000)

http://www.tfafacility.org/
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www.TFAFacility.org